

Following is a summary of important business news published in the leading daily newspapers of Bangladesh. For the complete news, please follow the online link given below each news. Please note that the news summary doesn't reflect the opinion of BRAC EPL Stock Brokerage Limited.

Trade deficit widens further

- The country's trade deficit rose by 7.3% – or USD 1.1 billion – year-on-year during July to May of the 2019-20 fiscal year as export earnings took a hit from Covid-19, according to the latest data of the Bangladesh Bank. Before the shutdown, the country's trade deficit in the first nine months of the current fiscal year fell by USD 123 million – or 1.01% – to USD 12.07 billion year-on-year. The situation, however, changed during July to May of the 2019-20 fiscal year with the country's trade deficit widening to USD 16.1 billion against USD 15.0 billion in the same period of FY19. The big drop in export earnings in May increased the deficit.
- In May, Bangladesh's export earnings dropped by 61.6% to USD 1.46 billion from USD 3.8 billion in the same month of the previous year. The Bangladesh Bank has not published import data separately yet. Imports also fell by 10.8% – or USD 5.6 billion – to USD 46.2 billion during July to May of FY20 from USD 51.8 billion in the same period of FY19.
- The current account deficit, however, fell by 15.1% to USD 4.4 billion in the first eleven months of the current fiscal year from USD 5.2 billion in the same period of FY19. The inflow of remittances dropped by 14.0% year-on-year to USD 1.5 billion in May, registering a fall of USD 244 million from the same month a year ago. It was USD 1.7 billion in May last year. The country's overall balance stood at a surplus of USD 1.6 billion during July to May of FY20, against a deficit of USD 682.0 million in the same period of the previous fiscal year. During July to May of FY20, net foreign direct investment dropped by 19.0% to USD 1.96 billion from USD 2.4 billion in the same period of FY19.

<https://tbsnews.net/economy/trade/trade-deficit-widens-further-99289>

<https://www.newagebd.net/article/109706/trade-deficit-gathers-pace-in-may-on-export-slump>

<https://www.dhakatribune.com/business/economy/2020/06/28/trade-deficit-widens-7-28-in-july-may>

Export Promotion Bureau (EPB) moots USD 37.4 billion export target

- The Export Promotion Bureau (EPB) has proposed setting a USD 37.4-billion export target for fiscal year (FY) 2020-21, predicting 13.0% growth, officials said. The EPB has also projected an additional USD 7.6 billion in earnings from the export of services. More than 82% of the proposed export earnings are expected to come from the ready-made garment (RMG) sector.
- The bureau expects the export receipts to reach USD 33.0 billion by the end of the current fiscal year. The proposed export target is 13.0% higher than the USD 33.0 billion expected to be earned this fiscal. The initial target for the outgoing fiscal was USD 45.5 billion.
- In April and May, exports stood at only USD 520.0 million and USD 1.46 billion. The overall export earnings during the July-May period fell by 17.99% to USD 30.95 billion against USD 37.75 billion in the corresponding period of last fiscal. The EPB, however, projected that export would reach USD 33.0 billion at the end of June.

<https://today.thefinancialexpress.com.bd/first-page/epb-moots-37b-export-target-1593367203>

<https://www.newagebd.net/article/109709/epb-eyes-13pc-export-growth-in-fy21-experts-sceptical>

<https://www.dhakatribune.com/business/economy/2020/06/28/next-fiscal-s-export-epb-estimates-below-current-target>

Government to cut furnace oil price to facilitate private power plants

- The government is going to cut the price of furnace oil in the local market soon – in a bid to facilitate private power plants where the fuel is used mostly. The price may go down by BDT 8-9 – from the current price of BDT 42 per litre.
- According to senior secretary to the Energy and Mineral Resources Division, the decision on price cut is likely to come this week. The government is set to hand over the decision of adjusting the price of this product to the Bangladesh Petroleum Corporation (BPC), the state's lone petroleum importer. BPC will be given the power to change the furnace oil price every month in the same way it has been adjusting the Jet A-1 price.
- Currently, private power producers import furnace oil – as per their demand upon an approval by the Bangladesh Power Development Board – without any import duty. The private sector imports around 3.2 million tonnes of furnace oil annually to generate around 4,500 megawatts of electricity. While the BPC imports around 0.5 million tonnes of furnace oil to generate electricity in the government's power plants.
- The current price of furnace oil of BDT 42.0 per litre was fixed in March 2016. On the other hand, the import cost of furnace oil by the private sector is around BDT 17 per litre, said private power plant owners. Currently, the price per litre of octane and petrol is BDT 89.0 and BDT 86.0, respectively, while the price is BDT 65.0 for a litre of diesel and kerosene.

<https://tbsnews.net/bangladesh/energy/govt-cut-furnace-oil-price-facilitate-private-power-plants-99256>

For NBFIs, 2019 was a terrible year. And 2020 is poised to be even worse

■ The year 2019, it seems, was an annus horribilis for the non-bank financial institutions industry. Not only did it see the fall of an institution, a development that not only undercut the confidence in the sector, the year also the industry's default loans soar 17.2% to BDT 64.0 billion in 2019. The amount would have been much larger had the default loans of the fallen People's Leasing and Financial Services (PLFS), which were between BDT 6.0 billion to BDT 7.0 billion, were added to the list, said a central bank official.

■ The situation in the NBFIs sector is yet to improve. In fact, some of them have plunged into deep trouble due to the ongoing economic fallout brought on by the coronavirus pandemic. The NBFIs sector started facing problems since the middle of 2018 when the banking sector felt the pinch of liquidity crunch, said Arif Khan, managing director of IDLC Finance, one of the big names in the sector.

■ Earlier in January 2018, to rein in aggressive lending, the BB had instructed conventional banks and Shariah-based banks to lower their loan-deposit ratios to 83.5% and 89.0% respectively, a move which had a domino effect on the NBFIs sector. The ratio of defaulted loans in the NBFIs sector stood at 9.5% of the total disbursed loans amounting to BDT 671.8 billion as of December last year.

<https://www.thedailystar.net/business/news/nbfis-2019-was-terrible-year-and-2020-poised-be-even-worse-1922033>

Cap on company promotional expenses to be relaxed

■ The ceiling imposed on companies' promotional expenses may be increased as the proposed new budget may go through some changes before it is passed today. Withdrawal of additional supplementary duty on mobile phone services and scrap of the time limit for claiming VAT rebates on raw materials are among few other amendments revenue officials are expecting.

■ An NBR official involved with the budget said they had received a lot of amendment proposals from economists and businessmen. They have also received 51 amendment proposals from the discussions of lawmakers since the budget was placed in parliament on June 11. However, given the revenue collection target, they are not accepting more than 10-12. The government will implement the fiscal policy for the fiscal year 2020-21, beginning on July 1, by passing the budget on Monday (today).

■ Although the companies' promotional expenses were tied to 0.5% of a company's turnover in the proposed budget, the government is also moving from it, and the limit may be set at 1.0%, according to sources. Traders fear that if the promotional expenditure is limited to 0.5%, pharmaceutical, IT, multinational and new companies will face a huge tax burden.

<https://tbsnews.net/economy/budget/cap-company-promotional-expenses-go-99316>

Janata Jute Mills changes hand in BDT 7.0 billion deal

■ The Bangladeshi private sector has witnessed its biggest ever silent acquisition in the country during the Covid-19 pandemic. Akij Group Managing Director Sk Bashir Uddin has bought Janata Jute Mills – one of the largest, oldest and most-profitable jute product makers in the country – for around BDT 7.0 billion. The deal also includes Sadat Jute Mills, a second factory owned by Janata – that was established in 1985 in Cumilla – and a cold storage facility.

■ According to Mahmudul Huq, the erstwhile deputy managing director of Janata Jute Mills, there was nothing wrong with our mills and they were making profits and had no bank loans. He also added that their export value in 2019 was around USD 55 million (over BDT 4.5 billion)

■ Acquisitions are very rare in Bangladesh. In most cases foreign companies buy either local or other foreign entities operating in the country. The most recent, and biggest ever, acquisition also involved Akij Group when it sold its entire tobacco business to Japan Tobacco at a whopping USD 1.5 billion (equivalent to BDT 124.0 billion) in November 2018. In April the same year, Alipay – an affiliate of Alibaba Group – bought 20.0% stakes in bKash. A Chinese consortium, that includes the Shenzhen and Shanghai stock exchanges, bought 25.0% stakes in the Dhaka Stock Exchange for USD 125 million (around BDT 10.0 billion) in 2018. In the same year, Beximco Pharmaceuticals Limited completed the acquisition of 85.2% of Nuvista Pharma Limited.

<https://tbsnews.net/companies/janata-jute-mills-changes-hand-BDT-700cr-deal-99301>

Bharti Airtel buys out NTT DoCoMo's stake in Robi

■ Bharti International (Singapore) Pte Ltd, a wholly owned arm of Bharti Airtel, has acquired Japanese telco, NTT DoCoMo's 6.3% stake in Robi Axiata for an undisclosed sum in an all-cash deal, increasing its stake in Bangladesh's

second-largest mobile carrier to 31.3%.

■ The deal was announced after market hours. Airtel shares had closed 2.93 % lower at Rs 567.60 on BSE Tuesday. Airtel declined to share the deal size. Robi Axiata is a subsidiary of Axiata Investments (Labuan) Ltd, which, in turn, is a unit of Malaysian telecom carrier, Axiata Group Berhad. Axiata has a controlling 68.7% stake in the telco.

<https://today.thefinancialexpress.com.bd/last-page/bharti-airtel-buys-out-ntt-docomos-stake-in-robi-1593368465>

Bangladesh Securities and Exchange Commission (BSEC) to inspect brokerage house regularly

■ After about a year and a half, the Bangladesh Securities and Exchange Commission (BSEC) has decided to start routine inspections of brokerage houses. For this, the organisation will form three 3-member committees composed of officials from the stock exchanges and the BSEC. The decision was taken on Sunday at an emergency meeting of the commission that was held to discuss about paying back the shares and money of Crest Securities Ltd to its clients.

■ There are two types of inspection procedures in these institutions for compliance supervision. The first is to inspect a brokerage house or stock dealer or merchant bank based on specific allegations, known as special inspection. The other is the inspection of any merchant bank, brokerage house and stock dealer by the commission without any complaint.

■ According to the BSEC's annual report, 15 regular inspections of listed merchant banks and brokerage houses have been completed in the 2015-16 financial year, 37 institutions in 2016-17 financial year, and 19 institutions in 2017-18 financial year. Of these, only five institutions were regularly inspected in 2016.

<https://tbsnews.net/economy/stock/bsec-inspect-brokerage-house-regularly-99304>

Bourse braces for its biggest IPO yet

■ Robi is set to come up with the country's biggest-ever initial public offering yet within a couple of months, in what can be viewed as finally some good news for the depressed bourse. The second-largest mobile phone carrier intends to raise BDT 5.2 billion from the market. The Bangladesh Securities and Exchange Commission (BSEC) has almost completed the scrutiny of the floatation proposal and is planning to approve the listing proposal within the next couple of months. Some 10%, or about 523.8 million, shares would be offloaded, according to the application, which was submitted on March 2. The face-value will be BDT 10.0 and there will be no premium.

■ According to the chief executive officer of Asian Tiger Capital Partners, Robi is coming at a face-value. This is a good sign and it will impact the stock market positively. Investors may come to the market to buy the stocks which we saw when Grameenphone went public. Robi, a sister concern of Axiata Group of Malaysia and a multinational venture, is very compliant and the market has not seen the entry of such a good company in the last eight to 10 years.

■ Investors would get the share at BDT 10.0 that has the assets of BDT 12.64, he said, adding that the share price compared to earnings before interest, tax, depreciation and amortisation (EBITDA) is very lucrative. The price of telecom shares normally ranges between 6 and 8% of EBITDA globally, but it is 3.4% in case of Robi, he said.

<https://www.thedailystar.net/business/news/bourse-braces-its-biggest-ipo-yet-1922045>

Grameenphone files petition challenging SMP restrictions

■ Grameenphone filed a writ petition before a High Court bench yesterday challenging a June 21 directive of Bangladesh Telecommunication Regulatory Commission (BTRC) alongside two restrictions imposed under significant market power (SMP) guidelines. This is the third time the leading mobile network operator has legally challenged different points of the SMP guidelines. Court orders in the first two went in its favour.

■ According to the restrictions, scheduled to be implemented from July 1, Grameenphone would have to secure prior approval from the telecom regulator before rolling out any package or offer. It will also have to have all of its existing packages and offers validated by August 31. Conditions of the approved packages or offers cannot be changed or amended without the watchdog's consent. The BTRC also made it easier for subscribers to leave Grameenphone under mobile number portability (MNP) facility.

■ According to the SMP guideline, the regulator can declare a carrier an SMP operator if it controls more than 40.0% share of any parameter. Grameenphone holds 45.6% share of the subscriber base and more than 50.0% share of the revenue generated. The number of active subscribers at Grameenphone stood at 76.5 million, earning the carrier BDT 143.7 billion at the end of 2019. It logged a record BDT 34.5 billion profit last year, the highest to date.

<https://www.thedailystar.net/business/news/gp-files-virtual-writ-petition-challenging-smp-guidelines-1922025>

Unilever acquires 82.0% stake of GSK Bangladesh

■ Unilever Overseas Holdings BV has become the new owner of GlaxoSmithKline (GSK) Bangladesh Ltd by completing the acquisition of 82.0% shares in the pharmaceutical giant. According to the Dhaka Stock Exchange (DSE), Unilever bought 9.875 million shares from Setfirst Ltd, a sister concern of GSK, through the block market on Sunday.

■ Unilever bought each share of GSK at BDT 2,046.3 and the total value of the transaction stood at BDT 20.2 billion, which is the highest trade value of an individual company in the history of DSE. Therefore, owing to this block transaction, the daily turnover at the premiere bourse amounted to BDT 25.4 billion — the highest in the last nine years. On the main trading floor at the DSE, the share price of GSK surged by 3.11% to BDT 2,110 per share on Sunday, which was BDT 2,046 per share in the previous session. The closing price of the company stood at BDT 2,084.1 per share.

■ After shutting down the pharmaceuticals business, GSK made a profit of BDT 9.9 million in the last financial year. It also recommended a 530% cash dividend to its shareholders. At present, Horlicks contributes to around 93.0% of GSK Bangladesh's annual sales. The rest comes from mainly Sensodyne toothpaste, though there are some minor products like over the counter antacid brand Eno.

<https://tbsnews.net/companies/unilever-acquires-82-stake-gsk-bangladesh-99277>

<https://www.thedailystar.net/business/news/unilever-buys-82pc-stake-gsk-health-food-division-bangladesh-1922009>

https://www.newagebd.net/article/109712/unilever-buys-gsk-bangladesh-for-BDT_-2020cr

World Stock and Commodities*

Index Name	Close Value	Value Change	% Change YTD
Crude Oil (WTI)*	USD 37.76	(USD 23.87)	-38.73%
Crude Oil (Brent)*	USD 40.25	(USD 28.19)	-41.19%
Gold Spot*	USD 1,772.81	USD 251.34	16.52%
DSEX	3,974.23	-478.70	-10.75%
S&P 500	3,009.05	-221.73	-6.86%
FTSE 100	6,163.86	-1423.19	-18.76%
BSE SENSEX	34,842.10	-6800.04	-16.33%
KSE-100	33,709.63	-7025.45	-17.25%
CSEALL	5,145.55	-983.66	-16.05%

Exchange Rates

USD 1 = BDT 84.83*

GBP 1 = BDT 104.86*

EUR 1 = BDT 95.31*

INR 1 = BDT 1.12*

*Currencies are taken from XE Currency Converter and Commodities are taken from Bloomberg.

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